

Message Text

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15

ACTION AGR-20

INFO OCT-01 EA-11 ISO-00 DRC-01 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

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SUBJECT: AUSTRALIA GRAIN EXPORT CREDITS

REF: FASTO 135

1. GRAIN EXPORT CREDITS EXTREMELY SENSITIVE SUBJECT AS DIRECT CONFRONTATION BETWEEN GOA AND WHEAT BOARD INVOLVED. WASHINGTON AGENCIES ARE REQUESTED TO HOLD THIS INFORMATION CLOSELY IN ORDER TO PROTECT RELIABLE EMBASSY CONTACTS WHOSE IDENTITY WOULD PROBABLY BE KNOWN. BOERMA/FAO PROPOSALS NOW BEING CONSIDERED, AND WHOLE QUESTION CREDIT SALES TO UNDER-DEVELOPED COUNTRIES TO BE DISCUSSED IN CABINET NEXT WEEK.

2. AWB DETERMINED TO MAXIMIZE SALES FOR CASH COMING SEASON, BUT STRONG PRESSURES FROM SOME MINISTERS MAKE CREDIT SALES INEVITABLE. SALE TO CHINA WILL DEFINITELY BE NOT MORE THAN 1 MILLION TONS ON USUAL CHINA TERMS. INTEREST RATE TO BE NEGOTIATED IN EARLY OCTOBER WHEN CASS AND WILLIAMS EXPECTED TO VISIT PEKING. ON PRESENT INDICATIONS GOA PRESSURE WILL HOLD INTEREST RATE AT THE PREVIOUS LEVEL OF ABOUT 6.25 PERCENT RATHER THAN CURRENT COMMERCIAL RATE.

3. UNDER THREE-YEAR AGREEMENT WITH EGYPT AUSTRALIA COMMITTED OFFER
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AT LEAST 1 MILLION TONS FOR SHIPMENT 1974. BOARD ADAMANT SALE FOR

CASH ONLY, BUT GOVERNMENT INDICATED WILL DIRECT BOARD TO MAKE CREDIT SALE ON HUMANITARIAN GROUNDS. MINISTERIAL SPOKESMAN INDICATED TO AGATTACHE OFFICE INSISTENCE ON CASH SALE WOULD CREATE TREMENDOUS ROW IN CABINET, WITH SOME MINISTERS TO INSIST BOARD MAKE ALLOWANCES AS QUID-PRO-QUO FOR GOA PRESSURE ON EGYPT TO BRING PAST PAYMENT LAG UP TO DATE. CURRENT PAYMENTS GENERALLY ON TIME, WITH MAXIMUM LAG ABOUT 15 DAYS. BECAUSE OF THESE POLITICAL PRESSURED THE BOARD WILL DO WELL TO SHORTEN CREDIT TERMS. THE THREE YEAR AGREEMENT STATES PRICE AND TERMS TO BE NEGOTIATED EACH YEAR, AND BOARD WILL ENDEAVOUR TO BRING TERMS DOWN TO ONE YEAR IF POSSIBLE, EGYPTIAN WHEAT DEL EXPECTED TO VISIT AUSTRALIA ABOUT OCT 8 FOR FINAL NEGOTIATIONS.

4. CREDIT SALES TO CHILE AND PERU UNCERTAIN AT THIS STAGE,ALTHOUGH DOT MINISTER CAIRNS IN FAVOUR. SMALL SALE FOR CASH MADE RECENTLY BUT BOSCH CONTACTED CAIRNS AND MADE CREDIT ARRANGEMENTS WITH GOA TO PAY BOARD. HERE AGAIN, BOARD WILL ENDEAVOUR TO SHORTEN CREDIT TERMS, AND PROPOSED CONTRACT FOR 250,000 TONS STILL BEING NEGOTIATED. AS BOARD IS NOT SUBJECT TO SAME POLITICAL PRESSURE ON SALES TO THESE COUNTRIES AS ON CHINA AND EGYPT, INTEREST RATE SALE AT 7.5 PERCENT AND SINCE US INTEREST RATE INCREASED BOARD MAY ASK 8.5 PERCENT FUTURE CONTRACTS. BOARD BASICALLY ADOPTS ATTITUDE UNDER CURRENT CONDITIONS NOT NECESSARY FOR ANY WHEAT EXPORTER TO OFFER CHEAP INTEREST RATE.

5. BOARD CONSIDERS ITS FIRST RESPONSIBILITY TO WHEATGROWER, AND HENCE RESISTED STRONGLY ANY MOVE BY GOA TO EXTEND CREDIT FOR FOREIGN POLICY REASONS. IF DESIRABLE BOARD FEELS GOA SHOULD ASSUME RISK AND COST OF SUCH SALES. ALTHOUGH DPI MINISTER WRIEDT HAS EXPRESSED SYMPATHY WITH THIS VIEW, THE OVERALL CABINET POSITION IS FAR LESS FAVOURABLE. A MOVE MAY BE MADE IN THIS DIRECTION AT NEXT WEEK'S CABINET MEETING, BUT OUTCOME STILL UNCERTAIN. OTHER CREDIT MARKETS ARE EXTREMELY LOW PRIORITY NOW. BOARD REJECTED OFFERS FOR SUDAN RECENTLY, AND REQUEST FOR CREDIT SALE TO IRAN NOTED BUT GIVEN LOW PRIORITY. IT WAS INTERESTING TO LEARN THAT PROPOSED CONTRACT WITH EGYPT WILL INCLUDE CLAUSE PROVIDING FOR IMMEDIATE HALT TO SHIPMENTS IF PAYMENTS FOR PREVIOUS SALES NOT RECEIVED BY DUE DATE. ON BASIS OF PRESENT INDICATIONS EXPORTABLE SURPLUS 1974 WILL TOTAL ABOUT 8 MILLION METRIC TONS, OF WHICH ABOUT 2.25 TO BE SOLD ON CREDIT TERMS CLOSE TO CHINA TERMS, AND REMAINDER FOR CASH. ALTHOUGH BOARD SYMPATHETIC TO NEED OF UNDER-DEVELOPED COUNTRIES, IT WILL RESIST LIMITED OFFICIAL USE

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CREDIT TERMS WHENEVER CASH PAYMENT COULD BE OBTAINED.
GREEN

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